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DOS review(s) completed.

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GENERAL

1. Australian troop commitment to Middle East Command anticipated:

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The Australian Cabinet is reconsidering its policy of opposition to the advance commitment of forces to the Middle East Command. From a conversation with the Prime Minister,

the US Charge in Canberra inferred that the cabinet discussion is not merely on principle but involves the specific commitment of forces. The Prime Minister was of the opinion that a decision would be reached in about two weeks.

Comment: Australia's limited defense establishment would permit the commitment of little more than a token force to the Middle East. There is no indication that the government is prepared to propose a national conscription bill, passage of which would be prerequisite to the commitment of a sizeable force.

EASTERN EUROPE

2. Proposed Trieste elections would benefit Yugoslavia:

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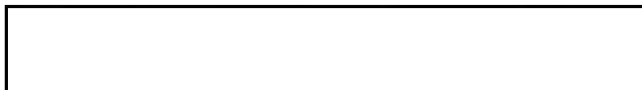
Ambassador Allen in Belgrade states that the Allied Military Government's proposal to hold elections in Zone A under an Italian electoral law concurrently with local elections in Italy

this spring may be prejudicial to long-term Italian interests, since it will provide the Yugoslavs with a strong pretext for the further absorption of Zone B into Yugoslavia. Allen believes that the Yugoslavs may be expected to take full advantage of any opportunity to push for a territorial settlement based on giving Zone A to Italy and Zone B to Yugoslavia.

Comment: Since a majority of the Slovenes in Zone A are pro-Cominformist, Yugoslavia would prefer a partition on the basis of the present zonal demarcation to one which would trade predominantly Italian portions of Zone B for predominantly Slovene portions of Zone A.

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WESTERN EUROPE

3. West Germans seek Anglo-American intervention in Saar dispute:



West German officials now suggest that the United States and Britain jointly ask Bonn and Paris to discuss bilaterally a solution to the Saar question which would be submitted to the Saar population for approval. The formula for agreement should be based on transforming the Saar into an international territory, which, the German officials hope, would include a "small parcel of French territory."

The Germans suggest that the Anglo- American statement be made prior to the European Defense Community debates in the West German Parliament; that it call upon both France and West Germany to refrain from further polemics on the Saar question; and that it stipulate that the status quo be preserved in the Saar pending the outcome of the bilateral discussions.

French diplomats state that their government will not accept any cession of French territory as a condition of settlement.

Comment: Chancellor Adenauer is trying vigorously to obtain some kind of conciliatory gesture from the West prior to the 7 February German parliamentary debates to which he has now irrevocably committed himself. Coalition leaders have indicated that if no conciliatory move is obtained the Parliament will probably pass a resolution sanctioning continued talks on the European Defense Community, but with an admonition that Germany must obtain "satisfaction" in any resolution of the Saar and NATO membership problems.

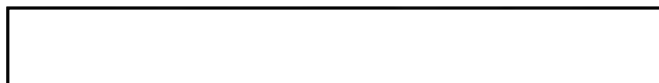
4. French Defense Minister hints at resignation if budget is inadequate:



French Defense Minister Bidault declares that he might resign should the 1952 military budget be limited to the present prospective maximum of about 3.7 billion dollars; he estimates that an increase of approximately one-third is necessary in

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order to meet NATO requirements. He believes, however, that France's military budget will in any case exceed the 3.4 billion dollars which NATO has considered the largest feasible under present political conditions.

While Bidault considers that an extension of the military service period to 24 months may eventually be possible, he warns that this would have far-reaching implications for the entire population, since France, unlike other European countries, allows no deferments.

Comment: American officials in France recently concluded that no French government would be likely to press for a military budget greater than 3.4 billion dollars, exclusive of US aid. The government has advised the National Assembly, however, that a final budget figure would not be proposed until the NATO Council Meeting at Lisbon this month has considered levels of defense effort and financial contributions.

SCANDINAVIA

5. Norway urges closer Western cooperation with Sweden:

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[REDACTED] The Norwegian representative at a meeting of the NATO Council Deputies expressed his country's belief that Sweden cannot be won from its present formal neutrality, and urged that Sweden be considered a "sort of member" of the North Atlantic Community. In support of closer cooperation he emphasized Swedish military capabilities and asserted that Swedish leaders are in sympathy with NATO objectives.

The British Deputy expressed identical views and warned against any NATO initiative toward closer military collaboration, maintaining that this would only increase Swedish resistance to the evolution of an informal link with NATO.

Comment: Norway has consistently argued that it is in the West's interest to give Sweden the assistance necessary to ensure a militarily strong power on Norway's eastern frontier. Both Britain and Norway have always contended that Sweden cannot be pressed into abandoning its policy of neutrality.

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[REDACTED]